PROVINCE OF SASKATCHEWAN

2009

ANNUAL REPORT

PUBLIC EMPLOYEES DEFERRED SALARY LEAVE FUND

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the fifteenth Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2009.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fifteenth Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2009.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Deferred Salary Leave Fund

Introduction

The Public Employees Deferred Salary Leave Fund was established on April 4, 1989.

The Fund is used to account for the transactions of the Deferred Salary Leave Plan, which allows employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan.

The Fund is a prescribed plan pursuant to regulation 6801 of the *Income Tax Act*.

Plan Committee Members

Brian Smith (Chair)
Ministry of Finance (PEBA)

Member – Employer Representative
Denise Bridge
Public Service Commission

Dona Jones
Saskatchewan Legal Aid Commission

Donna McCudden
Public Service Commission

Member – Employee Representative
Dave Stevenson
Valley View Centre
CUPE Local 600-3

Estes Fonkalsrud
Saskatchewan Legal Aid Commission
CUPE Local 1949

Participating Employers

The following employers participate in The Government of Saskatchewan Deferred Salary Leave Plan:

Enterprise Saskatchewan
Information Services Corporation of Saskatchewan
Innovation Saskatchewan
Legislative Assembly Service
Liquor and Gaming Authority
Saskatchewan Human Rights Commission
Saskatchewan Legal Aid Commission
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Water Corporation
Saskatchewan Watershed Authority
The Government of Saskatchewan with respect to the following individuals:
Assistant Chief Electoral Officer
Judges of the Provincial Court
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1996*

Administration

The Plan is managed by the Public Employees Benefits Agency, Ministry of Finance.

Canadian Western Trust Company is on contract to provide trustee and investment management services.

The Recordkeeper Inc. is on contract to provide employee statements and recordkeeping services.

Funding

Funding for the Fund is totally employee paid through salary deferrals. The portion of salary deferred is held in trust by the Fund. Accounts are maintained for each participating employee with interest and administrative fees allocated accordingly.

Participation Experience

	2009	2008
# employees participating at December 31	120	113
Deferrals completed during Year	26	29
Withdrawals during year	8	8

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Deferred Salary Leave Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Deferred Salary Leave Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Deferred Salary Leave Fund for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

KDeck

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 10, 2010

Public Employees Deferred Salary Leave Fund

Financial Statements

Year Ended December 31, 2009

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets of the Public Employees Deferred Salary Leave Fund (Fund) as at December 31, 2009 and the statement of changes in net assets for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2009 and the changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 10, 2010

Fred Wendel, CMA, CA
Provincial Auditor

Public Employees Deferred Salary Leave Fund
Statement of Net Assets

Statement 1

As At December 31

	2009	2008
ASSETS		
Contributions receivable	$ 108,813	$ 4,953
Investments (Note 3)	2,828,245	2,585,236
Total Assets	2,937,058	2,590,189
LIABILITIES		
Accounts payable and accrued liabilities	2,105	24,683
Total Liabilities	2,105	24,683
NET ASSETS (Statement 2)	2,934,953	$2,565,506

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund
Statement of Changes in Net Assets

Statement 2

Year Ended December 31

	2009		2008
	Budget (Note 5)	**Actual**	**Actual**
INCREASE IN ASSETS			
Contributions	$1,410,000	$ 1,525,431	$1,367,040
Interest revenue (Note 3)	98,600	91,445	95,323
Total increase in assets	1,508,600	1,616,876	1,462,363
DECREASE IN ASSETS			
Redemptions	$1,301,350	$1,155,867	1,417,138
Interest (Note 3)	90,110	83,108	87,133
Service fees	8,490	8,454	8,325
Total decrease in assets	1,399,950	1,247,429	1,512,596
Increase (decrease) in net assets	108,650	369,447	(50,233)
NET ASSETS, BEGINNING OF YEAR	2,565,506	2,565,506	2,615,739
NET ASSETS, END OF YEAR (Statement 1)	$2,674,156	$2,934,953	$2,565,506

(See accompanying notes to the financial statements)

1. Description of Fund

The Public Employees Deferred Salary Leave Plan (Plan) was established on April 4, 1989 and continues under subsection 64(2) of *The Financial Administration Act, 1993* (Act). The Public Employees Deferred Salary Leave Fund (Fund) is used to account for the transactions of the Plan. Net assets of the Fund represent the accumulated amounts payable to the participants when they take leave of absence or otherwise withdraw from the Fund. The Plan is managed by the Public Employees Benefits Agency (PEBA).

The Plan allows participating employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for any reason for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan. The portion of the participant's salary deferred during the year is recorded as Contributions, and the deferred salary used during the year is recorded as Redemptions.

Plan participants are employees of the Public Service of Saskatchewan, as defined by *The Public Service Act* and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan is a prescribed plan under the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Revenue

Interest is recognized as an increase in assets when earned. Contributions are recognized as an increase in assets when received.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

c) Financial Assets and Liabilities

The CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. Financial assets classified as held for trading are measured at fair value and changes in fair value are recognized in increase in net assets for the year.

The Plan has designated its investments as held for trading. The fair value of investments is based on cost, plus accrued investment income, which approximates fair value due to the immediate or short-term nature of these investments. Contributions receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities. The fair value of contributions receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature.

d) Future Accounting Policy Changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements.

3. Investments

The deferred salary is held in GIC deposit accounts maintained for each participating employee. Interest revenue is allocated to individual member accounts based on the weighted average of the interest rates the bank pays for GIC deposits which is 3.52% for 2009 (3.79% in 2008). Each plan participant is also charged a service fee. On December 31, interest for the year is paid to each participating employee.

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 1.

4. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Fund's credit risk arises primarily from the following distinct sources:

	2009	2008
Investments	$2,828,245	$2,585,236
Contributions receivable	108,813	4,953

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for investments is managed through a policy that limits the types of investments that can be held by the Fund. Investments consist of guaranteed investment certificates issued by a Canadian trust company.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions as these receivables are due from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Fund is exposed to changes in interest rates on its investments. This risk is managed by investing in financial assets of a short-term duration.

Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

5. Budget

PEBA approves the annual budget for the Fund.